

Message Text

SECRET

PAGE 01 SAIGON 19456 141336Z

46

ACTION EA-13

INFO OCT-01 SS-14 ISO-00 NSC-10 NSCE-00 PM-03 SPC-01 L-02

CIAE-00 INR-10 NSAE-00 RSC-01 EB-03 TRSE-00 AID-10

OMB-01 PRS-01 DRC-01 /071 W
----- 122394

R 141228Z NOV 73

FM AMEMBASSY SAIGON

TO AMEMBASSY TOKYO

INFO SECSTATE WASHDC 9014

SECDEF

AMEMBASSY SINGAPORE

CINCPAC

S E C R E T SAIGON 19456

LIMDIS - NOFORN

TOKYO FOR AMBASSADOR MARTIN

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: MILI PINT PINS VS

SUBJ: POL FOR RVNAF

1. WESLING SAIGON REPRESENTATIVE OF SHELL OIL COMPANY TODAY VISITED EMBASSY TO OUTLINE POL PROBLEM FOR RVN FROM THE POINT OF VIEW OF THE OIL COMPANIES. SHELL IS EXPECTED TO SUPPLY 98 PERCENT OF FUEL FOR RVN MILITARY NEXT YEAR. MOST IMMEDIATE PROBLEM IS THAT GOMERNMENT OF SINGAPORE (GOS) HAS NOW ALSO INFORMED SHELL THAT SALES TO THE US MILITARY FOR USE OF RVNAF HAVE BEEN EMBARGOED; THIS COMPLETES THE EMBARGO ON ALL THREE OIL COMPANIES SUPPLYING RVNAF AND FANK.

2. DATT HAS ALREADY ASKED SECDEF (ASD/INL) ABOUT POSSIBLE MEANS FOR GETTING AROUND THIS EMBARGO BY TRANSFERRING FUNDS TO

GVN OR RVNAF TO MAKE DIRECT PURCHASES. TODAY'S DISCUSSIONS CONSIDERED TWO SUCH MEANS:

SECRET

SECRET

PAGE 02 SAIGON 19456 141336Z

A. TRANSFER OF DOD FUNDS TO USAID TO MAKE ADDITIONAL
COMMERCIAL PURCHASES UNDER THE CIP WHICH WOULD THEN BE EAR-
MARKED FOR THE RVNAF.

B. TRANSFER OF DOD DOLLAR FUNDS DIRECT TO THE GVN MOND TO
MAKE PURCHASES FROM THE OIL COMPANIES, BYPASSING DOD AND THE US
OFFICES OF THE COMPANIES.

3. OPTION (A) IS FORBIDDEN BY CIP REGULATIONS REGARDING MILITARY
USES. ALSO, ACCORDING TO WESLING, SINCE OIL COMPANIES MERELY
"HANDLE" MILITARY PRODUCTS WHILE THEY ACTIVELY "MARKET" COMMERCIAL
PRODUCTS, THERE ARE DIFFERENT PRICES AND PROCEDURES FOR EACH
CATEGORY
OF POL PRODUCTS; WESLING FEELS CIP PROCEDURE WOULD BE IMPOSSIBLY
COMPLICATED.

4. DISADVANTAGES TO OPTION B. ABOVE INCLUDE COMPLICATIONS IN CLOSING
THE AUDIT TRAIL ON THE USE OF MASF FUNDS DIRECTLY TRANSFERRED TO THE
GVN MOND; THESE COMPLICATIONS ARE BELIEVED TO BE INSUR-
MOUNTABLE BUT WE SHALL HAVE TO WORK ON THE POINT FURTHER. ALSO,
WHILE WE AND WESLING FEEL THIS ALTERNATIVE WOULD BE ACCEPTABLE TO
THE GOS (AND ULTIMATELY TO THE ARAB OPEC COUNTRIES), IT HAS NOT
ACTUALLY BEEN EXPLORED WITH THESE PARTIES.

5. WE FEEL OPTION B IS MOST LIKELY MEANS OF MEETING SITUATION
WHICH THREATENS TO HAVE ARVNAF OUT OF FUEL WHENEVER SUPPLIES
FROM PACOM RESERVES STOP (WE ARE CURRENTLY GUARANTEED SUPPORT
AT CURRENT CONSUMPTION RATES THROUGH DEC 73) OR IF MAJOR MILITARY
ENCOUNTER STARTS HERE. SUGGEST COM'S IN TOKYO DISCUSS BEST WAY
TO GET GOS TO GO ALONG WITH THIS MEANS OF SAVING RVN AND GKR FROM
DISASTER.
APPLING

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NNN

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